



**Testimony on
H.B. 6659: An Act Concerning the State Budget for the Biennium Ending June 30, 2025,
and Making Appropriations Therefor
*in support of CT Baby Bonds***

Appropriations Committee
February 16, 2023

Dear Senator Osten, Representative Walker, Senator Berthel, Representative Nuccio and esteemed Connecticut General Assembly members of the Appropriations Committee:

My name is Emily Byrne, and I am submitting testimony today on behalf of Connecticut Voices for Children (CT Voices), a research-based advocacy organization working to ensure that one day Connecticut will be a thriving and equitable state where all children achieve their full potential.

Connecticut Voices for Children is testifying on the Governor's Proposed Biennial Budget, urging the Committee to include funding for CT Baby Bonds in your final legislation.

Poverty is a policy choice. A wide body of research tell us that the difference between financial security and poverty is the ability to access capital. What's more, we saw for ourselves during the COVID-19 pandemic that families with means and generational wealth were able to weather the financial shock of having lost a job or pay unexpected medical expenses while families without access to capital suffered greatly.

Connecticut faces its most significant racial income and wealth divides since the 1980s.ⁱ We know, from the Connecticut Department of Revenue Services 2022 Tax Incidence Study, that the state's income gap has grown this past decade; and, through our research at CT Voices, we also know that the racial income gap has grown too.^{ii iii} These financial disparities are exacerbated by the state's growing wealth gap and racial wealth gap.

Households with zero or negative net worth have no financial cushion to weather a crisis.^{iv} While 10.3 percent of white households in Connecticut had zero or negative net worth in 2016 (the most recent year data are available), 34.6 percent of Black households and 51.4 percent of Latino/a/x households had zero or negative net worth.^v Said another way, the zero net worth rate for Black and Latino/a/x households in Connecticut was 3.4 times and 5 times greater, respectively, than that for white households.^{vi}

There is a \$15 trillion wealth gap between Black and white households in the country.^{vii} The economic injustice of the U.S. and Connecticut's growing racial income and racial wealth gaps can be traced to historic systemic racism as well as contributing factors, such as the lack of consistent access to banking services in Black and brown communities, that exacerbate these gaps.^{viii} However, the Legislature took a giant step forward in 2021 when it chose to pass (and the Governor enacted) the CT Baby Bond Trust (PA 21-111).

CT Baby Bonds establishes a trust for the benefit of children whose births are covered by Connecticut's Medicaid program. For each eligible baby, the state would deposit \$3,200, which would grow to an estimated \$11,000. Once the child turns 18 years, they could then use that money for several purposes center financial security, including asset ownership. These baby trusts would invest in the estimated 16,000 babies born into poverty each year in Connecticut—40 percent of births in the state, according to the State Treasurer's office.

This watershed moment made Connecticut the first state in the country to develop a wealth equity policy that has the potential to break generational cycles of poverty as well as promotes long-term economic growth in our state. Today, thanks to Connecticut’s vision, a growing number of states across the country are considering similar programs. We’re asking that the Committee continue supporting CT Baby Bonds by funding it this year. Doing so is the right thing to do and the smart thing to do.

Beyond advancing wealth equity and eliminating poverty, the program has other benefits worth noting. First, because research tell us that asset ownership often leads to social mobility and higher education completion, CT Baby Bonds has the potential to reduce inequality in educational attainment.^{ix} ^x CT Baby Bonds also has the potential to create a Pygmalion effect around economic mobility and financial advancement as well as reduce the state’s spending on safety-net programs due to it being a conditional program.^{xi}

Last, but certainly not least, CT Baby Bonds has the potential of restoring the people’s faith in government, inclusive of the Legislature, which is imperative for the preservation of our democracy. Funding a program for future generations of Connecticut young people—investing in them at the start of birth—takes courage. However, we, at CT Voices, believe that the hope for all our state’s families to have economic security and freedom is shared, which is why we urge the Committee to fund CT Baby Bonds.

Thank you for your time and consideration.

Respectfully,

Emily Byrne
Executive Director
Connecticut Voices for Children

ⁱ Cassidy, C., Heydemann, R., Price, A., Unah, N., Darity Jr., W. (2019). Insight. *Baby Bonds: A Universal Path to Ensure the Next Generation Has the Capital to Thrive*. Retrieved from: https://socialequity.duke.edu/wp-content/uploads/2019/12/ICCED-Duke_BabyBonds_December2019-Linked.pdf.

ⁱⁱ Connecticut Department of Revenue Services. (2022). *Connecticut Tax Incidence Study – Tax Year 2019*. Retrieved from: <https://portal.ct.gov/-/media/DRS/Tax-Incidence/Connecticut-Tax-Incidence-Study-TY2019.pdf>.

ⁱⁱⁱ O’Brien, P. (2022). *Connecticut’s 2022 Tax Incidence Report: A High-Level Overview and Comparison to the 2014 Report*. Connecticut Voices for Children. Retrieved from: <https://ctvoices.org/wp-content/uploads/2022/02/CT-Voices-Tax-Incidence-Report-02282022.pdf>.

^{iv} O’Brien, P. (2020). *Advancing Economic Justice Through Tax Reform*. Connecticut Voices for Children. Retrieved from: <https://ctvoices.org/wp-content/uploads/2020/12/Advancing-Economic-Justice-Through-Tax-Reform-Just-Research.pdf>

^v Ibid.

^{vi} Ibid.

^{vii} Cassidy, C., Heydemann, R., Price, A., Unah, N., Darity Jr., W. (2019). Insight. *Baby Bonds: A Universal Path to Ensure the Next Generation Has the Capital to Thrive*. Retrieved from: https://socialequity.duke.edu/wp-content/uploads/2019/12/ICCED-Duke_BabyBonds_December2019-Linked.pdf.

^{viii} Barragan, B. (2020). *A New Function of an Old System: The Effect of Overdraft Protection Programs on Economic Security*. Connecticut Voices for Children. Retrieved from: https://ctvoices.org/wp-content/uploads/2020/11/Bank-Overdraft-Protection-Programs_Just-Research-Final.pdf

^{ix} Zewde, N., et al. (2019). Sage Journals. *Universal Baby Bonds Reduce Black-White Wealth Inequality, Progressively Raise Net Worth of All Young Adults*. Retrieved from: <https://journals.sagepub.com/doi/full/10.1177/0034644619885321>.

^x Cassidy, C., Heydemann, R., Price, A., Unah, N., Darity Jr., W. (2019). Insight. *Baby Bonds: A Universal Path to Ensure the Next Generation Has the Capital to Thrive*. Retrieved from: https://socialequity.duke.edu/wp-content/uploads/2019/12/ICCED-Duke_BabyBonds_December2019-Linked.pdf.

^{xi} Winship, S. (2021). American Enterprise Institute. *Reforming Tax Credits to Promote Child Opportunity and Aid Working Families*. Retrieved from: <https://www.aei.org/wp-content/uploads/2021/07/Reforming-tax-credits-to-promote-child-opportunity-and-aid-working-families.pdf?x91208>.